

AGENDA ITEM 9.

REHABILITATION LOAN PURCHASE AGREEMENT

Submitted for: Action

Summary: ISAC offers borrowers who have defaulted on their FFELP loans a number of repayment programs. One of these programs is the Rehabilitation Loan Program (“RLP”). Under the RLP, two events must take place: A borrower must make nine on-time monthly payments and, ISAC, on behalf of the U.S. Department of Education (“USDOE”) (who owns the loan upon its default) sells the loan to a new lender. When both of these actions are completed, ISAC enters into the borrower’s credit record and expunges from those records the existence of the default. The RLP is the only program that gives the borrower this opportunity to clean their credit record. ISAC receives a payment from USDOE of 33% of the par value of the loan sold as compensation for its efforts to work with the borrower and complete the rehabilitation process.

As you are aware, on December 12, 2008, SunTrust Bank, the only bank previously purchasing RLP loans, terminated its purchase contract with ISAC. In response, ISAC issued its 2009 Student Loan Revenue Bonds (State Guaranteed) (“Rehab Bonds”) and re-opened the RLP for Illinois borrowers. Due to federal tax law restrictions, ISAC can only utilize a minimal amount of bond proceeds to rehabilitate loans for out-of-state borrowers.

Using funds generated by the Rehab Bonds, as of October 15, 2009, IDAPP purchased \$20,823,878.50 principal amount of Illinois-based RLP loans and 472,533.35 non-Illinois RLP loans as they become rehabilitated from ISAC as agent for USDOE. ISAC purchases RLP loans at par. This resulted in revenues of \$6,801,385.50 for ISAC as guarantor.

SunTrust Bank has now re-opened the RLP program and ISAC will be able to offer the RLP to out-of-state borrowers who otherwise do not qualify for the IDAPP-financed RLP. In addition, at such time that there are insufficient bond proceeds for IDAPP to purchase RLP loans, SunTrust will be able to purchase RLP loans at a discount.

Staff is seeking authority from the Commission to execute and deliver a Federal Rehabilitation Loans Lender Participation Agreement with SunTrust Bank in substantially the form attached hereto as Exhibit A. SunTrust will purchase RLP loans from ISAC at the following purchase prices:

Pre October 1, 2007 Loans	Purchase Price
Stafford Loans (Subsidized and Unsubsidized)	92%
PLUS Loans (including GradPLUS)	92%
SLS Loans	92%
Previously Consolidated Loans disbursed prior to April 1, 2006 (Borrower coupon rate of 5% or higher)	92%
All other Previously Consolidated Loans (pre October 1, 2007)	88%

Post October 1, 2007 Loans	Purchase Price
Stafford Loans (Subsidized and Unsubsidized)	90%
PLUS Loans (including GradPLUS)	90%
Previously Consolidated Loans	84%

Action requested:

“BE IT RESOLVED that the Illinois Student Assistance Commission (ISAC) authorizes the Executive Director or Chairman to execute and deliver the Federal Rehabilitation Loans Lender Participation Agreement with SunTrust Bank (the “SunTrust Agreement”). The SunTrust Agreement shall be in substantially the form attached hereto as *Exhibit A*, which is hereby approved, with such changes, revisions and completions therein not inconsistent with this Resolution as shall be approved by the Executive Director or Chairman, such execution to constitute conclusive evidence of Executive Director’s or Chairman’s approval and the Commission’s approval of any changes, revisions and completions therein from the form of SunTrust Agreement attached hereto;

“BE IT FURTHER RESOLVED that, subject to the limitations set forth in the paragraph above, the Chairman or Executive Director are, and each of them is, hereby authorized to do or perform all such acts and to execute all such documents and other instruments as they or any of them deem necessary, convenient or desirable to consummate the transactions contemplated by this Resolution and all of the acts and doings of the Chairman or Executive Director which are in conformity with the intent and purposes of this Resolution, whether heretofore or hereafter taken or done, shall be and are hereby approved, confirmed and ratified.”

EXHIBIT A
SUNTRUST AGREEMENT